

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 126 – HB 930

March 6, 2017

SUMMARY OF BILL: Creates the Tennessee Rural Broadband Grant Expansion Program (TRBGEP), administered by the Tennessee Regulatory Authority (TRA), for the purpose of providing grants to fund the construction and expansion of broadband to eligible applicants.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$10,955,200/FY17-18
\$10,885,200/FY18-19
\$10,885,200/FY19-20

Other Fiscal Impact – Due to multiple unknown variables, the precise impact to local government cannot be determined; however any increase in local government expenditures is considered permissive.

Other secondary economic impacts may occur as a result of this bill. Due to multiple unknown factors, fiscal impacts directly attributable to such secondary economic impacts cannot be quantified with reasonable certainty.

Assumptions:

- There are no funds appropriated in the Governor's proposed budget for FY17-18 for the purposes of this legislation.
- The TRA is directed to accept contributions or grants from other entities for use in funding the TRBEG.
- The extent of any funding which will be required in FY17-18 and subsequent years to successfully accomplish the intent and requirements of the proposed grant program is unknown; however, it is reasonably assumed an appropriation of \$10,000,000 from the General Fund will be needed to fund the grants established by the bill.
- It is estimated that a \$10,000,000 appropriation will be needed for each FY17-18, FY18-19, and FY19-20 to fully establish the grant program.
- The TRA currently does not administer any grant programs and will require nine new staff positions to accomplish the establishment and administration of the TRBGEP. It is

assumed that such positions will be required only for the three-year period in order to process grants associated with the program.

- The increase in state expenditures for such salaries, benefits, and other job related expenses is \$885,223 {(\$95,000 Director salary + \$22,687 benefits) + [(\$60,000 Grant Analyst salary + \$16,881 benefits) x 7 Grant Analysts] + (\$75,000 Fiscal Staff + \$19,369 benefits) + \$135,000 job related expenses}. These expenses will be incurred in each FY17-18, FY18-19, and FY19-20; after which it is assumed the positions will no longer be required.
- The one-time increase in state expenditures for supplies and equipment is estimated to be \$70,000.
- The total increase in state expenditures in FY17-18 is estimated to be \$10,955,223 (\$10,000,000 + \$885,223 + \$70,000); and in each FY18-19 and FY19-20 is estimated to be \$10,885,223 (\$10,000,000 + \$885,223).
- Eligible recipients of grants through the TRBGEP will be any for-profit company, any telephone cooperative, or any local government partnering with either a for-profit company or a telephone cooperative.
- It is unknown how many grants will be awarded through the TRBGEP, the extent of funding for each grant awarded, if any such grant funds will be awarded to local government entities, the extent of any grant funds awarded to local government entities, and the level of any investment to be made in addition to any grant funds received by local government entities; therefore, a fiscal impact to local government cannot reasonably be determined, but any increase in local government expenditures would be considered permissive.

IMPACT TO COMMERCE:

**Increase Business Revenue – Less than \$10,000,000/FY17-18
Less than \$10,000,000/FY18-19
Less than \$10,000,000/FY19-20**

Jobs Impact – Passage of this bill is expected to lead to job creation the extent of which is unknown.

Other Fiscal Impact – Any increase in business expenditures for contributions to the TRBGEP cannot reasonably be determined.

Assumptions:

- Any grants not awarded to solely local government entities will be awarded either to local government entities working in conjunction with a for-profit entity or solely to for-profit entities; thus resulting in an increase in business revenue. However, any increase to for-profit business revenue cannot reasonably be determined due to multiple unknown variables such as how many for-profit businesses will apply to receive a grant through the TRBGEP, how many for-profit businesses will apply in conjunction with a local

government entity, how many for-profit businesses will be awarded a grant, and the extent of any awards that will be made available to for-profit business. However, the increase to business revenue is estimated as less than \$10,000,000 in each FY17-18, FY18-19, and FY19-20.

- The TRA will accept contributions and grants from for-profit entities for the purposes of funding the TRBGEP. It is unknown how many for-profit entities will opt to contribute funding to the TRBGEP and the extent of any contribution, therefore any increase to business expenditures is unknown.
- The proposed legislation is estimated to result in direct increase in the number of jobs in the state. However, any increase in jobs cannot reasonably be determined due to multiple unknown variables such as the size of any expansion project, how many additional jobs will be needed to fulfill the project, if any jobs required will be full-time, or if any jobs needed will be fulfilled with expansion of the hours of current employees of public or private businesses.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jrh